



J. TYLER McCAULEY  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-2766  
PHONE: (213) 974-8301 FAX: (213) 626-5427

September 26, 2001

To: Supervisor Michael D. Antonovich, Mayor  
Supervisor Gloria Molina  
Supervisor Yvonne Brathwaite Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe

From: J. Tyler McCauley  
Auditor-Controller

Subject: **REPORT OF THE LOS ANGELES COUNTY FAIR  
ASSOCIATION'S RENT CREDIT AND WEEKEND EVENT REVENUE**

Williams & Tucker Accountancy Corporation (Williams & Tucker) reviewed the Los Angeles County Fair Association's (Association) rent credit and weekend event revenue for the year ended December 31, 2000, by performing agreed upon procedures. The procedures required Williams & Tucker to verify the rent credit applied against rent payable and paid to the County, and weekend event revenues received and reported by the Association for the lease year 2000. In addition, because weapons shows are no longer allowed, Williams & Tucker was required to determine whether the projected weekend net revenue should be adjusted to reflect the actual weekend net revenue received.

Williams & Tucker verified that the Association's schedule of rent payable accurately reflected the rents due to the County. In addition, the procedures applied concluded that the projected weekend net revenue for the next five years should be reduced.

JTM:PTM:DR  
Attachments

c: David E. Janssen, Chief Administrative Officer  
Public Information Officer  
Audit Committee Members  
Jim Henwood, Los Angeles County Fair Association

**REPORT ON APPLYING AGREED UPON PROCEDURES OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**LOS ANGELES COUNTY FAIR ASSOCIATION**

**Rent Credit and Weekend Event Revenue Analysis**

**Year Ended December 31, 2000**

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## **Williams & Tucker Accountancy Corporation**

3711 Long Beach Blvd., Suite 809  
Long Beach, CA 90807-3324  
(562) 424-8679 • (562) 492-6927 FAX  
Email: TuckerCPA@aol.com  
www.PhyllisTuckerCPA.com

370 W. Grand, Suite 102  
Corona, CA 92878  
(909) 808-0951 • (909) 808-0952 FAX

### **INDEPENDENT ACCOUNTANTS REPORT ON APPLYING AGREED UPON PROCESURES TO LA COUNTY FAIR ASSOCIATION RENTS**

#### **LOS ANGELES COUNTY AUDITOR-CONTROLLER**

We have applied the procedures enumerated below to the accompanying rents, weekend revenues, and projected revenues of the LA County Fair Association (the Association) for the year ended December 31, 2000, as outlined in sub-work order 5-03. Those procedures, which were agreed to by your staff, were applied solely to assist you in evaluating the fairness and accuracy of lease revenues paid by the fair association.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants. The scope of our examination was as follows:

1. Verify projected weekend event net revenues for the lease year to determine if the amount reasonably reflects the net revenue that would have been received by the Association if Weapons Shows continued on the property.
2. Verify the actual weekend event net revenues for the lease year 2000 reported by the association to determine if the amount reflects the net revenues actually received by the Association during the year 2000 from weekend events less actual expenses computed in a manner consistent with the calculation of projected weekend event net revenue.
3. Determine whether the projected weekend net revenue should be adjusted to reflect the sum of the actual weekend event net revenue for the period plus \$600,000 less any actual net revenues attributable to weapons shows held during the lease year 2000.
4. Conduct a review of the Association's compliance with the Operating Lease Agreement and related amendments regarding the calculation of the rent credit and rent payable to the County for the lease year 2000.
5. Verify the Association's schedule of rent payable to the County, including gross revenue, and the schedule of rent credit allowable.

These agreed-upon procedures are substantially less in scope than an examination, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Our procedures and findings were as follows:

To verify projected weekend event net revenues for the lease year and to determine if the amount reasonably reflects the net revenue that would have been received by the Association if Weapons Shows continued on the property, we reviewed budget activity for the prior two years that the Weapons Shows were in existence as well as actual activity for the lease year 2000. Per our analysis the average Weapon Show net revenues for the prior two years they existed (lease years 1998 and 1997) were \$620,943 and \$533,937 respectively and averaged \$589,000. Based upon this review the \$600,000 projected loss from the absence of Weapon Show revenues appears reasonable. As reported below, actual weekend event net revenues for the lease year 2000 were \$4,581,400. Projected net revenues inclusive of Weapons Shows are therefore estimated to be \$5,181,400 for the lease year 2000.

In order to verify the actual weekend event net revenues for the lease year 2000 reported by the association; and to determine if the amount reflects the net revenues actually received by the Association during the lease year 2000 from weekend events, less actual expenses computed in a manner consistent with the calculation of projected weekend event net revenue; we examined the actual events per the event calendar, and determined the amount of revenues generated by weekend activities. Based on our analysis the amount of actual weekend net revenues reported for the lease year 2000 was \$4,581,400.

To determine whether the projected weekend net revenue should be adjusted to reflect the sum of the actual weekend event net revenue for the period plus \$600,000, less any actual net revenues attributable to weapons shows held during the lease year 2000; we examined the above results. Based on our analysis we believe that the base year budget for the lease year ended 12/31/00 should be adjusted to \$5,181,400 and escalated at the same increment as previously reported. Based on our review of the recent history of weekend events, this represents reasonable growth and price changes related to future weekend activities. Pursuant to provisions in the First Amendment to Ground Lease and Operating Agreement, projected future weekend event revenues inclusive of Weapons Shows should be adjusted as follows:

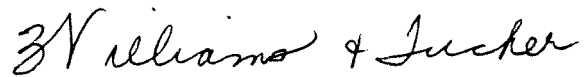
<u>Lease Year</u>	<u>Projected Weekend Event Net Revenues</u>
2000	\$5,181,400
2001	\$6,117,600
2002	\$6,784,920
2003	\$7,668,972
2004	\$8,926,429
2005	\$9,874,632

We conducted a review of the Association's compliance with the Operating Lease Agreement and related amendments regarding the calculation of the rent credit and rent payable to the County for the lease year 2000. We believe the Los Angeles County Fair

Association has complied with the Ground Lease and Operation Agreement in all material respect.

We verified the Association's schedule of rent payable to the County, including gross revenue, and the schedule of rent credit allowable. In our opinion, the attached schedule of Year to Date County Lease Calculation fairly reflects the rents due the County of Los Angeles in a manner consistent with terms of the ground lease and operating agreement.

Based on the application of the procedures referred to above, nothing came to our attention to cause us to believe that the accompanying schedule of rents and rents payable, and schedule of allowable credit is not presented in conformity with attestation standards established by the American Institute of Certified Public Accountants. Had we performed additional procedures or had we made an examination of the financial statements taken as a whole, other matters might have come to our attention that would have been reported to you.

A handwritten signature in cursive script that reads "Williams & Tucker".

WILLIAMS AND TUCKER ACCOUNTANCY CORPORATION  
July 13, 2001

## Year to Date County Lease Calculation January-December, 2000

### Year to Date County Lease Calculation January-December, 2000

	Fair Revenue					Non-Fair Revenue						
	Total Revenue	Fair Revenue	Less Adjustments	Revenues	Rent %	Fair Rent Amount	Non-Fair Revenue	Less Adjustments	Revenues	Rent %	Non-Fair Rent	Total Lease Amount Due
Admin	\$ 1,392,923.84	\$ 50,746.60		\$ 50,746.60	1%	\$ 507.47	\$ 1,342,177.24	\$ (398,337.19)	\$ 943,840.05	3.5%	\$ 33,034.40	\$ 33,541.87
Agriculture	65,285.78	58,275.50		58,275.50	1%	582.76	7,010.28		7,010.28	3.5%	245.36	828.11
CDC	-	-		-	1%	-	-		-	3.5%	-	-
Commercial	6,496,557.64	6,421,095.77		6,421,095.77	1%	64,210.96	75,461.87		75,461.87	3.5%	2,641.17	66,852.12
Other Revenue	1,295.00	-		-	1%	-	1,295.00		1,295.00	3.5%	45.33	45.33
Exhibits	169,729.35	169,594.35		169,594.35	1%	1,695.94	135.00		135.00	3.5%	4.73	1,700.67
Facilities	252,889.50	-		-	1%	-	252,889.50		252,889.50	3.5%	8,851.13	8,851.13
Freeway sign	196,815.07	300.00		300.00	1%	3.00	196,515.07		196,515.07	3.5%	6,878.03	6,881.03
Group Sales	1,609,126.40	1,609,126.40		1,609,126.40	1%	16,091.26	-		-	3.5%	-	16,091.26
Horse Show	163,436.94	63,881.42		63,881.42	1%	638.81	99,555.52		99,555.52	3.5%	3,484.44	4,123.26
ITW	2,479,819.74			-	1%	-	2,479,819.74		2,479,819.74	3.5%	86,793.69	86,793.69
Operations	5,790,700.24	5,706,631.48		5,706,631.48	1%	57,066.31	84,068.76		84,068.76	3.5%	2,942.41	60,008.72
Parking	4,935,816.75	2,025,529.00		2,025,529.00	1%	20,255.29	2,910,287.75		2,910,287.75	3.5%	101,860.07	122,115.36
Racing	4,580,623.60	4,580,623.60		4,580,623.60	1%	45,806.24	-		-	3.5%	-	45,806.24
RV	1,518,863.86	240,154.61	(120,077.31)	120,077.31	1%	1,200.77	1,278,709.25	(639,354.63)	639,354.63	3.5%	22,377.41	23,578.18
Sponsorship	1,501,242.43	1,503,742.43	(1,503,742.43)	-	1%	-	(2,500.00)	2,500.00	-	3.5%	-	-
Training	2,360,311.55	-		-	1%	-	2,360,311.55		2,360,311.55	3.5%	82,610.90	82,610.90
Year Round	3,747,854.64	-		-	1%	-	3,747,854.64		3,747,854.64	3.5%	131,174.91	131,174.91
	<u>\$ 37,263,292.33</u>	<u>\$ 22,429,701.16</u>	<u>\$ (1,623,819.74)</u>	<u>\$ 20,805,881.43</u>		<u>\$ 208,058.81</u>	<u>\$ 14,833,591.17</u>	<u>\$ (1,035,191.82)</u>	<u>\$ 13,798,399.36</u>		<u>\$ 482,943.98</u>	691,002.79
							Less: Allowable Credit					(600,000.00)
							Net Amount Due County of LA					91,002.79
							Previously Paid by Fair Association					(90,594.30)
							Due to (from) County of LA					\$ 408.49

**Los Angeles County Fair Association  
Allowable Rent Credit  
Year Ended December 31, 2000**

Projected Revenues Including Weapons Shows	\$ 5,181,400
Actual Revenues Event Year 2000	<u>4,581,400</u>
Excess (Deficiency) from Projection	<u>(600,000)</u>
Allowable rent credit	<u><u>\$ 600,000</u></u>